

PÖYRY PLC - 9 FEBRUARY 2018

Financial Statement Release January-December 2017



Pöyry PLC Financial Statement Release 1 January–31 December 2017

Operational improvement turning to cash flow

Key figures for July–December 2017

(Figures in brackets, unless otherwise stated, refer to the same period of the previous year.)

- Adjusted operating result increased to EUR 16.0 (7.5) million. Operating result was EUR 11.4 (-3.8) million.
- Net sales were EUR 255.1 (257.7) million. Net sales increased compared to the corresponding period in the previous year when measured at comparable currencies.
- Order intake increased compared to the corresponding period in the previous year when measured at comparable currencies.
- Net cash flow from operating activities increased to EUR 40.1 (14.3) million which lead to gearing of 4.7% (27.0%).

Key figures for January–December 2017

(Figures in brackets, unless otherwise stated, refer to the same period of the previous year.)

- Adjusted operating result increased to EUR 26.0 (5.8) million. It improved in all business lines. Operating result was EUR 15.1 (-8.1) million.
- Net sales were EUR 522.3 (529.6) million. They increased in Industry Business Group and Management Consulting Business Group, and decreased in Energy Business Group and in Regional Operations Business Group.
- Order intake increased and resulted in the Group's order stock of EUR 448.2 (442.5) million. The increase was 6.5% at comparable currencies.

Pöyry Group	7-12/ 2017	7-12/ 2016	Change, %	1-12/ 2017	1-12/ 2016	Change, %
Order stock at the end of period, EUR million	448.5	442.5	1.4	448.5	442.5	1.4
Net sales total, EUR million	255.1	257.7	-1.0	522.3	529.6	-1.4
Operating result, EUR million	11.4	-3.8	n.a.	15.1	-8.1	n.a.
Operating margin, %	4.5	-1.5		2.9	-1.5	
Adjusted operating result, EUR million	16.0	7.5	n.a.	26.0	5.8	n.a.
Adjusted operating margin, %	6.3	2.9		5.0	1.1	
Result before taxes, EUR million	9.6	-5.8	n.a.	11.8	-10.6	n.a.
Earnings per share, basic, EUR	0.08	-0.13	n.a.	0.07	-0.24	n.a.
Earnings per share, diluted, EUR	0.08	-0.13	n.a.	0.07	-0.24	n.a.
Earnings per share, adjusted, EUR	0.16	0.06	n.a.	0.25	-0.01	n.a.
Gearing, %				4.7	27.0	
Return on investment, %				8.8	-3.2	
Average number of personnel, full time equivalents (FTE)				4,551	4,839	-5.9

All figures and sums have been rounded off from the exact figures, which may lead to minor discrepancies upon addition or subtraction.

Financial outlook for 2018

The Group's adjusted operating result for 2018 is expected to improve.

Guidance is based on the order stock at 31 December 2017, a solid prospect pipeline and a well progressed transformation program.

Martin à Porta, President and CEO:

In the second half of 2017 we have continued to show improvement in our operational business. Operating margins increased in all business lines. We have seen an increase in sales compared to the same period in the previous year in the Industry Business Group, with stabilisation in the Energy Business Group.

Our order stock improved strongly on comparable currencies compared to 31 December 2016. Although order intake did not meet our own ambitions in all the units, we see positive signs in the market. We are confident that we can capitalise on this with new projects during first half of 2018.

Our cash flow continued to improve significantly and pushed our net debt to lower levels compared to previous years. The improved balance sheet position will give us further operative freedom, and we still see further potential to optimise our net working capital.

Good progress was also made in making our risks and opportunities more balanced in both our existing and legacy project portfolio. The efforts there will have to continue throughout 2018, where we expect to close some of the old cases.

We continue to see many good client responses to our projects, indicating also that the amount of new orders will increase. We also see increased inquiries related to our [#Povrydigital](#) offerings. The demand for new services and smart solutions in the areas of the bioeconomy, health and safety as well operational services continues to be strong.

As part of our company transformation program we continued to increase clarity, strategy and clear expectations, with employee engagement reaching its highest levels in recent years. I am also proud of the commitment shown by top management when they invested own money in company's shares as a part of transformation program's ownership culture target and as a part of new long term incentive program. Our experts and consultants take up more responsibility for their own tasks and steadily move towards the Intrapreneurship concept we want to see embedded throughout the organisation.

Market outlook 2018

In general market conditions are expected to continue with similar trends as in 2017. Growth in the Eurozone has continued, but remains fragile with the potential to change rapidly based on macroeconomic events. In Asia the markets relevant to our operations continue to be strong and offer opportunities, especially to our energy offering. The Middle-East shows continued high demand for desalination and new power capacity. Latin America is mixed, in Brazil we have seen three positive quarters in relation to GDP-growth but the economy is delicate. Whilst we continue to notice an increase in investment activity, these are yet to materialize as bigger projects. The North American market demand continues to be good.

Our industry business sector has been strong especially in Europe in 2017 and activity in Europe is expected to remain strong during first half of the year while the outlook for other regions remains mixed. The Energy market in Europe continues to provide few selected opportunities and remains strong for our management consulting services for market design, modelling and due diligence work. Infrastructure investment in Northern Europe and Central Europe are expected to remain stable.

Group financial performance

EUR million	7-12/ 2017	7-12/ 2016	Change, %	1-12/ 2017	1-12/ 2016	Change, %
Net sales						
Energy	57.8	63.7	-9.3	122.1	129.6	-5.8
Industry	73.1	69.5	5.1	149.4	147.5	1.3
Regional Operations	90.1	92.4	-2.5	186.6	188.8	-1.2
Management Consulting	35.1	32.3	8.6	65.7	64.1	2.4
Unallocated	-0.9	-0.2		-1.4	-0.5	
Total	255.1	257.7	-1.0	522.3	529.6	-1.4
Operating result						
Energy	3.9	3.8	3.2	7.4	4.4	67.4
Industry	5.9	-0.2	n.a.	10.5	3.7	n.a.
Regional Operations	-0.6	-4.6	87.9	0.2	-8.7	n.a.
Management Consulting	5.5	2.2	n.a.	7.1	3.9	80.4
Unallocated	-3.4	-5.0		-10.1	-11.4	
Total	11.4	-3.8	n.a.	15.1	-8.1	n.a.

EUR million	7-12/ 2017	7-12/ 2016	Change, %	1-12/ 2017	1-12/ 2016	Change, %
Operating margin, %						
Energy	6.7	5.9		6.1	3.4	
Industry	8.1	-0.3		7.0	2.5	
Regional Operations	-0.6	-4.9		0.1	-4.6	
Management Consulting	15.8	6.7		10.8	6.1	
Total	4.5	-1.5		2.9	-1.5	
Adjusted operating result						
Energy	3.9	4.2	-6.7	7.4	5.0	47.5
Industry	8.8	2.1	n.a.	14.7	6.5	n.a.
Regional Operations	3.4	2.2	50.9	6.7	-0.6	n.a.
Management Consulting	5.7	2.5	n.a.	7.3	4.7	53.7
Unallocated	-5.8	-3.5		-10.1	-9.9	
Total	16.0	7.5	n.a.	26.0	5.8	n.a.
Adjusted operating margin, %						
Energy	6.7	6.6		6.1	3.9	
Industry	12.0	3.0		9.9	4.4	
Regional Operations	3.8	2.4		3.6	-0.3	
Management Consulting	16.3	7.6		11.1	7.4	
Total	6.3	2.9		5.0	1.1	

In order to increase transparency in comparing performance from one period to another Pöyry has been disclosing since 2016 an adjusted operating result. The adjusted items are not related to the business operations of the reporting period and include mainly restructuring and labour claim expenses, gains / losses related to divestments and profits / losses related to projects from the former Urban Business Group or projects which were finalised over two years ago.

Financial performance in July–December 2017

Order intake decreased compared to the corresponding period in the previous year however when measured at comparable currencies it increased. It increased in the Industry Business Group, remained stable in the Management Consulting Business Group and decreased in the other business lines.

Net sales were EUR 255.1 (257.7) million. The figure increased in the Industry Business Group and Management Consulting Business Group, decreased in Regional Operations and in the Energy Business Group.

The adjusted operating result increased to EUR 16.0 (7.5) million. It improved in all the Business Groups except the Energy Business Group where it declined. The adjusted items of EUR 4.6 (11.3) million consist mainly of restructuring expenses, labour claims customary in one of the Group's country operations, as well as losses recognised on projects which originate from the former Urban Business Group or were finalised over two years ago. In 2016 the adjusted items mainly included losses recognised on projects originating from the former Urban Business Group, restructuring expenses and expenses related to on-going arbitration proceedings concerning a large project in Brazil that was completed in 2013 and labour claims customary in one of the Group's country operations. The operating result for the period was EUR 11.4 (-3.8) million.

Financial performance in January–December 2017

The Group's order stock remained stable and was EUR 448.5 (442.5) million while at comparable currencies it increased by 6.5%. It increased in all the business groups except Regional Operations where it decreased.

Order stock was EUR 164.9 million in the Energy Business Group (37% of the total order stock), EUR 87.4 million in the Industry Business Group (19%), EUR 177.7 million in Regional Operations (40%) and EUR 18.4 million in the Management Consulting Business Group (4%).

Net sales were EUR 522.3 (529.6) million. The figure increased in the Management Consulting Business Group, remained stable in the Industry Business Group and Regional Operations and decreased in the Energy Business Group.

The adjusted operating result increased to EUR 26.0 (5.8) million. It improved in every business line. The adjusted items of EUR 10.9 (13.9) million consist of restructuring expenses, labour claims customary in one of the Group's country operations, as well as losses recognised on projects which originate from the former Urban Business Group or were finalised over two years ago. Despite further balancing of the old project portfolio we continue to fight to recover our position in these projects. In 2016 the adjusted items mainly included restructuring expenses, labour claims customary in one of the Group's country operations and losses recognised on projects originating from the former Urban Business Group. The operating result for the period was EUR 15.1 (-8.1) million.

Key project and contract wins published during the second half of the year

Customer	Assignment	Business line
Lahti, Finland	Implementation of a new road section in Finland, consortium between Skanska and Pöyry	Regional Operations
Armenia	Engineering services assignment for Dzora hydropower plant rehabilitation project	Energy
Austrian Power Grid AG, Austria	Reconstruction and modernisation of a transmission system at Ernstshofen substation	Energy
PT Gorontalo Listrik Perdana (GLP), Indonesia	Owner's engineer services assignment for a coal-fired steam power plant project of two 50 MW units	Energy
Svenska kraftnät, Sweden	400kV power line engineering assignment including detailed planning and engineering of an about 90 km long steel tower line	Energy
The Saline Water Conversion Company (SWCC), Saudi Arabia	Owner's engineer services assignment for Shoaiba 4 desalination plant	Energy
Brazil	Engineering services assignment for new solar power plant in Bahia	Industry
KaiCell Fibers Oy, Finland	Environmental Impact Assessment assignment for biorefinery in Paltamo in North East Finland	Industry
ASFINAG, Austria	Site supervision services assignment for the rehabilitation of A1 and A10 motorways in the region of Salzburg	Regional Operations
Kalehan Murat Enerji Üretim A.S., Turkey	Basic design engineering services assignment for Beyhan II Dam and Hydroelectric Power Plant	Energy
Southern Power Generation Sdn Bhd, Malaysia	Owner's engineer services assignment for a 1,440 MW combined cycle power plant project	Energy
Zesco, Zambia	Environmental impact assessment assignment for Kafue Gorge Lower Hydropower Project	Energy

Group financial result, financing and investments

The net financial items amounted to EUR -3.8 (-3.1) million.

The result before taxes totalled EUR 11.8 (-10.6) million.

Income taxes were EUR -6.1 (-2.2) million.

The net result for the period amounted to EUR 5.6 (-12.8) million, of which EUR 5.7 million was attributable to equity holders of the parent company and EUR 0.0 million to non-controlling interests.

Diluted earnings per share were EUR 0.07 (-0.24).

The consolidated balance sheet amounted to EUR 390.1 (421.8) million. Total equity at the end of the reporting period amounted to EUR 129.9 (118.3) million. Total equity attributable to equity holders of the parent company was EUR 129.8 (116.9) million, or EUR 2.09 (1.96) per share. In November 2015, Pöyry issued EUR 30 million hybrid capital securities, which are treated as equity in the consolidated financial statements. The capital securities have no maturity date, but the company has the right to redeem them after four years from the issue date upon certain conditions.

Return on equity (ROE) amounted to 4.5 (-10.5) per cent. Return on investment (ROI) was 8.8 (-3.2) per cent.

Group cash and cash equivalents and other liquid assets amounted to EUR 50.7 (49.3) million at the end of the reporting period. In addition to these, the Group had available credit facilities amounting to EUR 60.7 million. The amount of issued Commercial Papers was EUR 26.8 million.

In H2 2016 Pöyry signed with its core banks and Finnish financial institutions an extension of its term loan and revolving credit facility arrangements until June 2019. The facilities are subject to covenants relating to Pöyry's financial performance and solidity.

Net cash flow from operating activities in the reporting period amounted to EUR 38.2 (-17.7) million, representing EUR 0.64 per share. In 2017 net cash flow from operating activities resulted mainly from EUR 17.6 (-17.1) million cash inflow related to a change in working capital. Net cash flow before financing activities amounted to EUR 33.2 (-22.0) million. Net debt at the end of the reporting period was EUR 6.1 (32.0) million. Gearing was 4.7 (27.0) per cent. The equity ratio was 39.7 (32.5) per cent.

During the reporting period, the Group's operating capital expenditures totalled EUR 3.3 (5.1) million and investments in shares in group companies were EUR 2.4 (0.0) million.

Calculation principles and key figures are presented on the Key figures page of this financial statement release.

Personnel

Employee figures are reported in full time equivalents (FTEs).

Personnel (FTE) by Business Line, at the end of the period	1-12/ 2017	1-12/ 2016	Change, %
Energy	1,054	1,068	-1
Industry	1,530	1,436	7
Regional Operations	1,539	1,565	-2
Management Consulting	373	353	6
Unallocated	141	153	-8
Personnel total	4,637	4,574	1

Personnel (FTE) by geographic area, at the end of the period	1-12/ 2017	1-12/ 2016	Change, %
Nordic countries	1,933	1,817	6
Other Europe	1,565	1,561	0
Asia	594	614	-3
North America	162	164	-1
South America	382	416	-8
Other areas	1	2	-50
Personnel total	4,637	4,574	1

Personnel structure

The Group had an average of 4,551 (4,839) employees (FTEs), which was 5.9 per cent less than in the previous year. The number of personnel (FTEs) at the end of the period was 4,637 (4,574). At the end of the reporting period, total number of employees was 5,326 (5,387).

Performance share plan 2017–2022

A separate Company Announcement was issued on 5 May 2017 regarding a share-based incentive plan for the Pöyry Group's key personnel. In order to implement the initial investment relating to the incentive plan, the Board of Directors of Pöyry PLC resolved on 3 August 2017 on two share issues. The first one resulted in 1 771 000 new shares issued to the company itself without payment, as per Stock Exchange Release published on 16 August 2017. The second share issue was directed to the persons entitled to participate in the plan and resulted in a total of 422 191 new shares subscribed and paid for by each participant. The new shares were registered on 14 Sep 2017 as announced in a Stock Exchange Release.

More information on the performance share plan is available on the company's website at www.poyry.com and more details on the shares to be issued can be found in the "Shares" section of this report.

Personnel expenses

EUR million	1-12/ 2017	1-12/ 2016	Change, %
Wages and salaries	261.5	281.0	-7
Bonuses	10.7	7.3	47
Share-based expenses	0.9	-	n.a.
Social expenses	55.4	62.8	-12
Personnel expenses total	328.6	351.1	-6

Significant short-term risks and uncertainties

Economic and political uncertainty continues and the risk of recession persists, particularly in the European market. These circumstances may adversely influence Pöyry's clients' ability to arrange project financing and make investment decisions. More generally, this can slow down the overall business activity and hence impact Pöyry's net sales and profitability. The economic and political crisis in Brazil has a significant impact on the market, including the sectors where Pöyry operates. This has caused Pöyry to downsize its operations to correspond to the market situation. If the Brazilian economic and political crisis continues, Pöyry may be required to take further measures to adapt to this situation.

Part of Pöyry's business comes from municipal and other public sector clients. The high level of indebtedness of various economies has led the EU and an increasing number of governments to decide on austerity and cost-reduction measures. This may have a negative effect on infrastructure investments and consequently could affect services provided by Pöyry.

As part of the project business, there are occasionally projects facing particular challenges and risks in the context of their execution. In some of these projects, the respective subsidiary companies are involved in disputes and litigations where the outcome and timing of the resolutions are uncertain and could differ from the management's current assessment. There is a distinct management focus on resolving these issues and their evolution is regularly reviewed and assessed in line with the company's risk assessment processes. In relation to the project contract, which expired in the fourth quarter of 2015, the respective Pöyry subsidiary company has started arbitration proceedings against the client. It is too early to assess the outcome of the proceedings. The project in question is from the former Urban Business Group.

In its Annual review Pöyry has disclosed the ongoing "Rigesa arbitration". Pöyry is convinced on the justification for its claims against Rigesa and does not see merit in Rigesa's counterclaims but it is premature to assess the outcome of the Rigesa arbitration. Pöyry expects resolution on the merits of this case in H1 2018.

Part of Pöyry's net sales originates from emerging and developing countries, some of which face political and economic challenges. There is a risk that corresponding payment of invoices may be delayed excessively or that the Pöyry Group may experience credit losses. To manage this risk, the company maintains systematic processes for the follow-up and active collection of receivables.

There may occasionally arise risks that are related to Pöyry's or clients' social or environmental impact in projects. They are usually managed within the framework of Pöyry's contracts with the clients.

The most relevant risks that relate to Pöyry's business are presented in more detail on the company's website at www.poyry.com.

Change in financial reporting practices

As per the Stock Exchange Release of 18 December 2017, Pöyry will change its financial reporting practice as of 1 January 2018. In addition to half year and annual financial reports, Pöyry will publish business reviews for the three and nine months of the year.

Events after the reporting period

On 9 February Pöyry announced that it is strengthening its Industry Business Group by consolidating its process engineering know-how and technology competence in Norway and Sweden, renaming its reporting segment 'Regional Operations Business Group' as 'Infra, Water and Environment Business Group'. This change will take effect as of 9 February 2018.

Pöyry's financial reporting will be based on the following four reporting segments: Management Consulting Business Group; Industry Business Group; Energy Business Group; and Infra, Water and Environment Business Group. Restated figures will be published before the publication of the half year financial report January - June 2018 on 9 August 2018.

Business Lines

Reporting is based on the organisational structure announced on 26 January 2017. In the new structure the globally-focused competences and process know-how in Pulp, Paper & Board, Chemicals & Biorefining and Mining & Metals are concentrated in one global Industry organisation. Also the industry-related operations in Brazil, Finland and Germany were brought together from Regional Operations to the Industry Business Group. Pöyry's financial reporting continued to be based on the following four reporting segments: Management Consulting Business Group; Industry Business Group; Energy Business Group; and Regional Operations. The comparative figures have been adjusted accordingly.

Energy Business Group

The Energy Business Group provides technical consulting, engineering, supervision and project management services within the areas of hydro power, thermal power, nuclear power, renewables and transmission & distribution. We help clients to effectively manage their assets throughout the entire business life-cycle underpinned by in-depth sector knowledge. We deliver both new build and rehabilitation projects, as well as services relating to existing assets.

	7-12/ 2017	7-12/ 2016	Change, %	1-12/ 2017	1-12/ 2016	Change, %
Order stock, EUR million, at the end of the period	164.9	152.5	8.2	164.9	152.5	8.2
Sales, EUR million	57.8	63.7	-9.3	122.1	129.6	-5.8
Operating result, EUR million	3.9	3.8	3.2	7.4	4.4	67.4
Operating margin, %	6.7	5.9		6.1	3.4	
Adjusted operating result, EUR million	3.9	4.2	-6.7	7.4	5.0	47.5
Adjusted operating result, % of net sales	6.7	6.6		6.1	3.9	
Personnel at the end of period	1,054	1,068	-1.3	1,054	1,068	-1.3

July–December 2017

Order intake remained stable compared to the previous year.

Net sales declined by 9.3 per cent to EUR 57.8 (63.7) million. They particularly decreased in the Middle East and in the Philippines where a larger project was in the execution phase in 2016.

The adjusted operating result remained stable at EUR 3.9 (4.2) million. The operating result was EUR 3.9 (3.8) million.

January–December 2017

Order stock was EUR 164.9 (152.5) million.

Net sales declined by 5.8 per cent to EUR 122.1 (129.6) million. They particularly decreased in the Middle East and in the Philippines where a larger project was in the execution phase in 2016.

The adjusted operating result increased to EUR 7.4 (5.0) million. There are no adjusted items in 2017. In 2016 restructuring expenses related to the streamlining of operations in Northern Europe were excluded from the adjusted operating result. The operating result was EUR 7.4 (4.4) million.

Industry Business Group

The Industry Business Group provides technical consulting, engineering, project management and implementation services to clients in the areas of process industries and across the entire investment life-cycle. Focus sectors extend from pulp & paper to chemicals & biorefining. We deliver solutions for complex new investment projects and rebuilds of existing plants.

	7-12/ 2017	7-12/ 2016	Change, %	1-12/ 2017	1-12/ 2016	Change, %
Order stock, EUR million, at the end of the period	87.4	78.3	11.7	87.4	78.3	11.7
Sales, EUR million	73.1	69.5	5.1	149.4	147.5	1.3
Operating result, EUR million	5.9	-0.2	n.a.	10.5	3.7	n.a.
Operating margin, %	8.1	-0.3		7.0	2.5	
Adjusted operating result, EUR million	8.8	2.1	n.a.	14.7	6.5	n.a.
Adjusted operating result, % of net sales	12.0	3.0		9.9	4.4	
Personnel at the end of period	1,530	1,436	6.5	1,530	1,436	6.5

July–December 2017

Order intake increased from the previous year reflecting the good demand especially in the pulp and paper business.

Net sales increased by 5.1 per cent to EUR 73.1 (69.5) million due to several projects being in implementation phase especially in Northern Europe. Difficult market conditions in Brazil continued to burden sales development.

The adjusted operating result increased to EUR 8.8 (2.1) million due to strong performance especially in Northern Europe and improved performance in Brazil.

The operating result increased to EUR 5.9 (-0.2) million.

January–December 2017

Order stock increased by 11.7 per cent and was EUR 87.4 (78.3) million.

Net sales increased by 1.3 per cent to EUR 149.4 (147.5) million due to several projects being in implementation phase especially in Northern Europe. Difficult market conditions in Brazil continued to burden sales development.

The adjusted operating result improved to EUR 14.7 (6.5) million. The adjusted items in 2016 and 2017 included mainly labour claim expenses related to employment claims customary in one of the Group's operating countries as well as restructuring expenses in Latin America. The operating result increased to EUR 10.5 (3.7) million.

Regional Operations

Regional Operations serve clients with a broad range of services covering engineering and technical advisory, delivered across the energy, industry, transportation, real estate and water sectors and supported by environmental services. Pöyry's experts have profound local market knowledge, underpinned by global competence. Our extensive local office network is located within easy reach of client's operations.

	7-12/ 2017	7-12/ 2016	Change, %	1-12/ 2017	1-12/ 2016	Change, %
Order stock, EUR million, at the end of the period	177.7	197.5	-10.0	177.7	197.5	-10.0
Sales, EUR million	90.1	92.4	-2.5	186.6	188.8	-1.2
Operating result, EUR million	-0.6	-4.6	87.9	0.2	-8.7	n.a.
Operating margin, %	-0.6	-4.9		0.1	-4.6	
Adjusted operating result, EUR million	3.4	2.2	50.9	6.7	-0.6	n.a.
Adjusted operating result, % of net sales	3.8	2.4		3.6	-0.3	
Personnel at the end of period	1,539	1,565	-1.6	1,539	1,565	-1.6

July–December 2017

Order intake decreased compared to the previous year. It remained stable in Northern Europe, but decreased in the other regions.

Net sales declined to EUR 90.1 (92.4) million. They increased in Northern Europe, but declined in Central Europe and North America.

The adjusted operating result improved to EUR 3.4 (2.2) million. The figure increased in Northern Europe and Central Europe, but decreased in the other regions. The adjusted items in 2017 consist mainly of restructuring expenses, losses recognised on projects which originate from the former Urban Business Group or were finalised over two years ago. In 2016 the adjusted items included mainly losses recognised on projects originating from the former Urban Business Group and restructuring expenses. The operating result was EUR -0.6 (-4.9) million.

January–December 2017

Order stock decreased to EUR 177.7 (197.5) million. It increased in North America, but decreased in the other regions.

Net sales were stable at EUR 186.6 (188.8) million. They declined in Central Europe and North America, but increased across the other regions.

The adjusted operating result improved to EUR 6.7 (-0.6) million. The figure improved in all regions except North America. The adjusted items in 2017 include mainly losses recognised on projects originating from the former Urban Business Group as well as losses related to projects finalised over two years ago. Over the same period in 2016, adjusted items included mostly losses recognised on projects originating from the former Urban Business Group and restructuring expenses.

The operating result was EUR 0.2 (-8.7) million.

Management Consulting Business Group

The Management Consulting Business Group provides strategic advisory services to the world's capital and resource intensive industries. Our expertise is based on market-led insights and quantitative models, as well as a profound understanding of sector specific strategies and technologies.

	7-12/ 2017	7-12/ 2016	Change, %	1-12/ 2017	1-12/ 2016	Change, %
Order stock, EUR million, at the end of the period	18.4	14.3	28.8	18.4	14.3	28.8
Sales, EUR million	35.1	32.3	8.6	65.7	64.1	2.4
Operating result, EUR million	5.5	2.2	n.a.	7.1	3.9	80.4
Operating margin, %	15.8	6.7		10.8	6.1	
Adjusted operating result, EUR million	5.7	2.5	n.a.	7.3	4.7	53.7
Adjusted operating result, % of net sales	16.3	7.6		11.1	7.4	
Personnel at the end of period	373	353	5.6	373	353	5.6

July–December 2017

Order intake increased from the previous year.

Net sales increased by 8.6 per cent to EUR 35.1 (32.3) million.

The adjusted operating result increased to EUR 5.7. (2.5) million mainly due to good performance in the energy sector in Central and Western Europe and timing of success fees. The adjusted items include restructuring. The operating result increased to EUR 5.5 (2.2) million.

January–December 2017

Order stock increased to EUR 18.4 (14.3) million.

Net sales increased by 2.4 per cent to EUR 65.7 (64.1) million.

The adjusted operating result was EUR 7.3 (4.7) million. The adjusted items include restructuring. Over the same period last year, restructuring expenses in Asia and expenses related to projects finalised over two years ago were excluded from the adjusted operating result. The operating result was EUR 7.1 (3.9) million.

Unallocated items

The unallocated items consist of Group level activities as well as parent company expenses which are not charged to the business lines. The Group's parent company is responsible, among other things, for developing the Group's strategy and for supervising its implementation, financing, realising synergistic benefits and general co-ordination of the Group's operations. The parent company charges intra-group royalties and service fees.

During the period, unallocated items decreased the adjusted operating result by EUR -10.1 (-9.9) million and the operating result by EUR -10.1 (-11.4) million.

Governance

Annual General Meeting 2017

The Annual General Meeting ("AGM") of Pöyry PLC was held on 9 March 2017. The AGM adopted Pöyry PLC's annual accounts and granted the members of the Board of Directors and the President and CEO of the company discharge from liability for the financial period 1 January to 31 December 2016.

The AGM decided that no dividend be distributed for the financial year 2016.

The AGM decided that the Board of Directors consists of four (4) ordinary members. The AGM elected the following members to the Board of Directors: Helene Biström, Henrik Ehrnrooth, Michael Rosenlew and Teuvo Salminen.

The AGM decided that the annual fees of the members of the Board of Directors be EUR 45,000 for a member, EUR 55,000 for the Vice Chairman and EUR 65,000 for the Chairman of the Board, and the annual fee of the members of the committees of the Board of Directors be EUR 15,000. In addition, the AGM authorised the Board of Directors to decide an additional fee of not more than EUR 15,000 per annum for each of the foreign residents of the Board of Directors and an additional fee of not more than EUR 5,000 per annum for each of the foreign residents of the committees of the Board of Directors. The authorisation shall be in force until the next AGM.

At its assembly meeting immediately following the AGM, the Board of Directors elected Henrik Ehrnrooth as Chairman and Teuvo Salminen as Vice Chairman. Teuvo Salminen (Chairman) and Helene Biström were elected as members of the Audit Committee. Michael Rosenlew (Chairman) and Henrik Ehrnrooth were elected as members of the Nomination and Compensation Committee. In accordance with the authorisation by the AGM the Board decided to pay an additional fee of EUR 15,000 per annum to the foreign residents of the Board of Directors and an additional fee of EUR 5,000 per annum to the foreign residents of the committees of the Board of Directors.

PricewaterhouseCoopers Oy continues as Pöyry PLC's auditors based on the resolution made in the AGM on 8 March 2012. PricewaterhouseCoopers Oy has appointed Merja Lindh, Authorised Public Accountant, as the auditor in charge.

The decisions made by the AGM of Pöyry PLC on 9 March 2017 are available in full on the company's website at www.poyry.com.

Authorisations of the Board of Directors

In the AGM on 9 March 2017, the Board of Directors was authorised to decide on the issuance of new shares and special rights entitling to shares, as well as to convey the company's own shares held by the company in one or more tranches. The share issue can be carried out as a share issue against payment or without consideration on terms to be determined by the Board of Directors and in relation to a share issue against payment at a price to be determined by the Board of Directors. A maximum of 11,800,000 new shares can be issued. A maximum of 5,900,000 own shares held by the company can be conveyed. The authorisation comprises a right to deviate from the shareholders' pre-emptive subscription right. Furthermore, the authorisation includes the right to decide on a share issue without consideration to the company itself so that the amount of own shares held by the company after the share issue is a maximum of one tenth (1/10) of all shares in the company. The Board of Directors is authorised to resolve on all other terms and conditions regarding the issuance of shares and special rights entitling to shares. The authorisation shall be in force for 18 months from the decision of the AGM. The authorisation granted by the previous AGM regarding issuing of shares expired simultaneously.

The Board of Directors was also authorised to decide on the acquisition of up to 5,900,000 own shares of the company in one or more tranches by using distributable funds. The shares may be acquired either through public trading, in which case the shares would be acquired in another proportion than that of the current shareholders, or by public offer at market prices at the time of purchase. The Board of Directors is authorised to resolve on all other terms and conditions regarding the acquisition of own shares. The authorisation shall be in force for 18 months from the decision of the AGM.

The decisions made by the AGM of Pöyry PLC on 9 March 2017 relating to the authorisations of the Board of Directors are available in full on the company's website at www.poyry.com.

Changes in Pöyry Group's management

As of 9 December 2016 the Group Executive Committee consisted of five members. However, as per the Stock Exchange Release of 4 August 2017, Executive Vice President, Transformation and Strategy, Anja McAlister asked to step down from Pöyry's Group Executive Committee as of 7 August 2017 for family reasons.

Following this change, Pöyry's Group Executive Committee was reduced to four members. At the end of 2017 the Group Executive Committee consisted of the following members:

- **Martin à Porta**, President and CEO, Chairman Regional Operations (acting), President Management Consulting Business Group (acting)
- **Richard Pinnock**, Executive Vice President, President Energy Business Group
- **Nicholas Oksanen**, Executive Vice President, President Industry Business Group
- **Juuso Pajunen**, Executive Vice President and Chief Financial Officer

On 26 October 2017, the company announced that Dorien Terpstra has been appointed Executive Vice President, Head of Strategy and Transformation and member of the Group Executive Committee of Pöyry PLC. This change was effective as of 8 January 2018 and as a result Pöyry's Group Executive Committee has been increased to five members.

Shares

The share capital of Pöyry PLC at 31 December 2017 totalled EUR 14,588,478 and the total number of shares including treasury shares was 61,952,801.

On 31 December 2017, Pöyry PLC held a total of 2,190,055 own shares, which corresponds to 3.5 per cent of the total number of shares.

The closing price of Pöyry's shares on 31 December 2017 was EUR 4.84 (3.32). The volume weighted average share price during the reporting period was EUR 4.24 (3.23), the highest quotation being EUR 5.68 (3.80) and the lowest EUR 3.04 (2.80). The share price increased by 46.1 per cent since the end of 2016. During the reporting period, approximately 4.6 million Pöyry shares were traded at Nasdaq Helsinki, corresponding to a turnover of approximately EUR 19.1 million. The average daily trading volume was 18,455 shares, or approximately EUR 0.1 million.

On 31 December 2017, the total market value of Pöyry's shares was EUR 289.5 (196.8) million excluding the treasury shares held by the company and EUR 300.1 (198.2) million including the treasury shares.

On 5 May 2017, Pöyry's Board of Directors resolved on a new long-term share-based incentive plan targeted to the top management and key personnel of the company. At this stage, the share-based incentive plan covers 9 participants. New participants may join the incentive plan if decided by the Board of Directors. The maximum amount of participants in the incentive plan is 15. In order to implement the initial investment relating to the incentive plan, Pöyry's Board of Directors resolved on 3 August 2017 on a share issue directed to the persons entitled to participate in the plan. The share subscription price for the new shares to be paid by each of the participants was 90% of the trade volume weighted average quotation of the share on Nasdaq Helsinki Ltd on 8 August 2017, i.e. EUR 4.491 per share. The share subscription period ended on 14 August 2017. The total number of 422,191 new shares were subscribed and paid for in the share issue.

In addition, Pöyry's Board of Directors resolved on 3 August 2017 on the issuance of 1,771,000 new shares to the company itself without payment. In the future, the company may use these shares, inter alia, in order to strengthen the company's capital structure, to broaden the company's ownership, to be used as payment in corporate acquisitions or when the company acquires assets relating to its business and as part of the company's incentive programs.

The total number of the company's shares after the directed share issue and share issue to the company itself without payment is 61,952,801 and the total number of treasury shares is 2,190,055.

Ownership structure

The number of registered shareholders was 4,908 at the end of December 2017 compared to 5,362 shareholders at the end of 2016.

Corbis S.A. remained the largest shareholder with 33.0 per cent ownership of the total shares. The Chairman of the Board of Directors of Pöyry, Henrik Ehrnrooth, together with his brothers Georg Ehrnrooth and Carl-Gustaf Ehrnrooth, indirectly hold a controlling interest in Corbis S.A.

At the end of the reporting period, a total of 12.74 per cent of the shares were owned by nominee-registered shareholders. Total ownership outside Finland, including Corbis, together with nominee-registered shareholders represented 46.41 per cent of the total shares.

Financial calendar

Pöyry will publish its financial information in 2018 as follows:

- Annual Review 2017: Thursday 15 February 2018 at the latest
- Business review January - March 2018: Friday 27 April 2018
- Half year financial report January - June 2018: Thursday 9 August 2018
- Business review January - September 2018: Wednesday 24 October 2018

Pöyry will issue separately from the Report of the Board of Directors the non-financial report in accordance with the Finnish Accounting Act 1336/1997 Section 3a on non-financial reporting, the Corporate Governance Statement and Remuneration Statement for 2017. These reports will be published latest on 15 February 2018 and are available at www.poyry.com/investors."

The Annual General Meeting will be held on Thursday 8 March 2018. The notice to the Annual General Meeting will be published on the company's website and as a Stock Exchange Release on 9 February 2018.

Board of Directors' proposal for disposal of distributable funds

The Group's parent company Pöyry PLC's net result for 2017 amounted to EUR 15,013,379.36 and retained earnings were EUR 30,224,134.74. The total distributable earnings were EUR 45,237,514.10. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 per share be distributed for the financial year 2017. The Board of Directors proposes that the dividend be paid on 19 March 2018. The dividend is payable to shareholders entered into the shareholder register maintained by the Euroclear Finland Ltd. on the record date determined by the Board of Directors 12 March 2018.

Financial outlook for 2018

The Group's adjusted operating result for 2018 is expected to improve.

Guidance is based on the order stock at 31 December 2017, a solid prospect pipeline and a well progressed transformation program.

Vantaa, 8 February 2018

Pöyry PLC
Board of Directors

Basis of preparation and accounting policies

This financial statement release has been prepared in accordance with IAS 34 following the same accounting principles as in the annual financial statements for 2016.

All figures in the accounts have been rounded and consequently, the totals of individual figures can deviate from the presented total figure.

The annual figures in this financial statement release are audited.

Statement of comprehensive income

EUR million	7-12/ 2017	7-12/ 2016	1-12/ 2017	1-12/ 2016
Net sales	255.1	257.7	522.3	529.6
Other operating income	0.4	0.8	0.6	1.3
Materials and supplies	0.0	0.7	-0.1	-1.1
External charges, subconsulting	-25.3	-24.9	-48.1	-45.5
Personnel expenses	-154.2	-166.4	-328.6	-351.1
Depreciation and impairment	-2.1	-2.3	-4.4	-4.6
Other operating expenses	-62.4	-69.4	-126.7	-136.6
Operating expenses total	-244.1	-262.3	-507.9	-538.9
Operating result	11.4	-3.8	15.1	-8.1
Proportion of net sales, %	4.5	-1.5	2.9	-1.5
Financial income	0.8	0.1	1.7	1.3
Financial expenses	-2.8	-2.5	-5.6	-4.5
Exchange rate differences	0.0	0.1	0.1	0.2
Net financial items	-2.0	-2.2	-3.8	-3.1
Share of associated companies' results	0.2	0.3	0.5	0.5
Result before taxes	9.6	-5.8	11.8	-10.6
Proportion of net sales, %	3.7	-2.3	2.3	-2.0
Income taxes	-4.2	-1.3	-6.1	-2.2
Net result for the period	5.4	-7.2	5.6	-12.8
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of net defined benefit pension obligation	7.5	6.5	21.1	0.5
Income tax relating to these items	-1.6	-1.4	-4.3	-0.1
Items that may be reclassified to profit or loss				
Translation differences	-5.0	1.9	-10.2	3.2
Total comprehensive income for the period	6.3	-0.1	12.2	-9.1
Net result attributable to:				
Owners of the parent company	5.5	-6.9	5.7	-12.5
Non-controlling interest	-0.1	-0.2	0.0	-0.3
Total comprehensive income attributable to:				
Owners of the parent company	6.4	0.1	12.3	-8.8
Non-controlling interest	-0.1	-0.2	0.0	-0.3
Earnings/share, EUR	0.08	-0.13	0.07	-0.24
Corrected with dilution effect	0.08	-0.13	0.07	-0.24

Statement of financial position

Assets, EUR million	31 Dec 2017	31 Dec 2016
Non-current assets		
Goodwill	118.9	122.4
Intangible assets	7.0	7.2
Tangible assets	6.0	7.5
Shares in associated companies and joint ventures	2.1	2.1
Other non-current investments	0.6	1.0
Deferred tax assets	27.1	34.1
Pension receivables	0.1	0.1
Other	3.4	4.5
	165.1	178.7
Current assets		
Work in progress	43.7	58.9
Accounts receivable	106.3	105.8
Other receivables	9.5	11.7
Prepaid expenses and accrued income	11.0	12.8
Current tax receivables	3.7	4.5
Cash and cash equivalents	50.7	49.3
	225.0	243.0
Total assets	390.1	421.8

Equity and liabilities, EUR million	31 Dec 2017	31 Dec 2016
Equity		
Equity attributable to the owners of the parent company		
Share capital	14.6	14.6
Invested free equity reserve	62.0	60.1
Hybrid bond	30.0	30.0
Translation differences	-20.7	-10.5
Retained earnings	43.9	22.7
	129.8	116.9
Non-controlling interest	0.1	1.4
Total equity	129.9	118.3
Non-current liabilities		
Interest bearing non-current liabilities	30.0	-
Pension obligations	18.8	45.0
Deferred tax liabilities	0.2	0.2
Other non-current liabilities	0.0	0.1
	49.0	45.2
Current liabilities		
Amortisations of interest bearing non-current liabilities	0.0	2.0
Commercial papers	26.8	48.7
Interest bearing current liabilities	0.0	30.5
Provisions	14.8	12.7
Project advances	62.9	58.2
Accounts payable	18.5	20.5
Other current liabilities	24.9	22.7
Current tax payables	5.3	6.5
Accrued expenses and deferred income	58.0	56.4
	211.3	258.3
Total equity and liabilities	390.1	421.8

Statement of cash flows

EUR million	7-12/ 2017	7-12/ 2016	1-12/ 2017	1-12/ 2016
Operating activities				
Net result for the period	5.4	-7.2	5.6	-12.8
Adjustments:				
Share-based expenses	0.9	-0.1	0.9	-
Depreciation and impairment	2.1	2.3	4.4	4.6
Impairment losses from accounts receivable and work in progress	2.6	5.6	4.5	6.0
Gains (-) / losses (+) on sales of shares and fixed assets	0.2	0.1	0.2	0.0
Financial income and expenses	2.0	2.2	3.8	3.1
Income taxes	4.2	1.3	6.1	2.2
Changes in working capital:				
Change in work in progress	13.2	15.1	9.8	17.3
Change in accounts receivable	-3.4	-0.7	-6.6	-4.7
Change in project advances received	9.6	0.8	7.6	-13.5
Change in accounts payable	4.4	4.8	-1.3	-0.7
Change in other receivables and payables	1.6	-9.0	8.1	-15.5
Paid income taxes	-2.8	-1.1	-5.0	-3.6
Net cash flow from operating activities	40.1	14.3	38.2	-17.7
Investing activities				
Investments in group companies	-2.4	-	-2.4	-
Investments in fixed assets	-1.5	-3.0	-3.3	-5.1
Sale of fixed assets	0.2	0.1	0.3	0.2
Received dividends	0.0	0.4	0.5	0.6
Net cash flow from investing activities	-3.8	-2.5	-5.0	-4.3
Net cash before financing	36.3	11.8	33.2	-22.0
Financing activities				
New loans	30.0	30.0	30.0	30.0
Repayments of loans	-31.0	-31.0	-32.0	-35.0
Change in current financing	-14.8	5.9	-22.2	10.8
Hybrid bond interest and expenses	-2.3	-2.3	-2.3	-2.3
Received financial income	0.8	0.5	1.5	0.9
Paid financial expenses	-2.5	-3.2	-4.9	-5.2
Paid dividends	0.0	0.0	0.0	-0.1
Directed share issue related to share-based incentive plan	1.9	-	1.9	-
Net cash flow from financing activities	-17.9	-0.1	-28.0	-0.8
Change in cash and cash equivalents and in other liquid assets	18.4	11.8	5.2	-22.8
Cash and cash equivalents and other liquid assets at the beginning of the period	34.9	36.9	49.3	70.6
Effect of changes in exchange rates	-2.6	0.6	-3.7	1.4
Cash and cash equivalents and other liquid assets at the end of the period	50.7	49.3	50.7	49.3
Cash and cash equivalents	50.7	49.3	50.7	49.3
Cash and cash equivalents and other liquid assets	50.7	49.3	50.7	49.3

Statement of changes in equity

EUR million	Share capital	Invested free equity reserve	Hybrid bond	Translation differences	Retained earnings	Equity attributable to the owners of the parent company	Non-controlling interest	Total equity
1-12/2017								
Equity 1 January 2017	14.6	60.1	30.0	-10.5	22.7	116.9	1.4	118.3
Net result for the period					5.7	5.7	0.0	5.6
Other comprehensive income for the period				-10.2	16.8	6.6	0.0	6.6
Total comprehensive income for the period				-10.2	22.4	12.3	0.0	12.2
Hybrid bond interest					-1.8	-1.8		-1.8
Purchase of minority shares							-1.2	-1.2
Directed share issue		1.9				1.9		1.9
Share-based payments					0.5	0.5		0.5
Total contributions by and distributions to owners of the parent, recognised directly into equity		1.9			-1.3	0.6	-1.2	-0.6
Equity 31 December 2017	14.6	62.0	30.0	-20.7	43.9	129.8	0.1	129.9
1-12/2016								
Equity 1 January 2016	14.6	60.1	30.0	-13.7	36.7	127.6	1.7	129.3
Net result for the period					-12.5	-12.5	-0.3	-12.8
Other comprehensive income for the period				3.2	0.4	3.7	-0.1	3.6
Total comprehensive income for the period				3.2	-12.1	-8.8	-0.3	-9.1
Hybrid bond interest					-1.8	-1.8		-1.8
Dividend distribution					0.0	0.0	0.0	-0.1
Total contributions by and distributions to owners of the parent, recognised directly into equity					-1.9	-1.9	0.0	-1.9
Equity 31 December 2016	14.6	60.1	30.0	-10.5	22.7	116.9	1.4	118.3

Key figures

	7-12/ 2017	7-12/ 2016	1-12/ 2017	1-12/ 2016
Earnings/share, EUR	0.08	-0.13	0.07	-0.24
Corrected with dilution effect	0.08	-0.13	0.07	-0.24
Earnings/share, adjusted, EUR	0.16	0.06	0.25	-0.01
Shareholders' equity/share, EUR			2.09	1.96
Return on investment, %			8.8	-3.2
Return on equity, %			4.5	-10.5
Equity ratio, %			39.7	32.5
Net debt/equity ratio (gearing), %			4.7	27.0
Net debt, EUR million			6.1	32.0
Consulting and engineering, EUR million			448.3	439.0
EPC, EUR million			0.3	3.6
Order stock total, EUR million			448.5	442.5
Capital expenditure, operating, EUR million	1.5	3.0	3.3	5.1
Capital expenditure, shares, EUR million	2.4		2.4	
Personnel in group companies on average			4,551	4,839
Personnel in group companies at end of period			4,637	4,574

Calculation of key figures

Return on investment, ROI %

result before taxes + interest and other financial expenses
 balance sheet total - non-interest bearing liabilities (quarterly average) x 100

Return on equity, ROE %

net result
 equity (quarterly average) x 100

Equity ratio %

equity
 balance sheet total - advance payments received x 100

Net debt/equity ratio, gearing %

interest-bearing liabilities - cash and cash equivalents
 equity x 100

Earnings/share, EPS

net result attributable to the owners of the parent company - accrual basis interest of hybrid bonds adjusted with tax effect
 issue-adjusted average number of outstanding shares for the fiscal year

Earnings/share, adjusted

net result attributable to the owners of the parent company - accrual basis interest of hybrid bonds adjusted with tax effect + adjustment items used in calculating the adjusted operating result
 issue-adjusted average number of outstanding shares for the fiscal year, corrected with dilution effect

Equity attributable to the equity holders of the parent company / share

equity attributable to the equity holders of the parent company
 issue-adjusted number of shares at the end of the fiscal year

Contingent liabilities

EUR million	31 Dec 2017	31 Dec 2016
Other own obligations		
Other obligations	0.3	0.3
Accrued interest on hybrid bond	0.2	0.2
Project and other guarantees	39.1	39.4
Total	39.6	39.9
For others		
Pledged assets	0.1	0.0
Other obligations	-	0.0
Total	0.1	0.1
Rent and lease obligations	112.1	121.3

Project and other guarantees

Project guarantees are normal undertakings related to project business, for example bid bonds or performance guarantees.

Rent and lease obligations

In 2013 Pöyry PLC sold its Vantaa office real estate in Finland. In the transaction Pöyry PLC signed a long-term lease agreement of 15 years for the property. The rent of the lease-agreement is market-based. Pöyry PLC is entitled to extend the term of the lease by a maximum of 15 years. The lease agreement of Vantaa office real estate is the largest lease agreement of the group and comprises most of the group's rental and lease obligations.

Claims and litigation

Given the nature of Pöyry's operations, claims are made against Group companies from time to time based on various grounds, which sometimes result in litigation or arbitration. Occasionally also Pöyry needs to initiate legal proceedings in order to collect receivables.

Litigations and arbitrations of material value

Sino-Forest Corporation related litigations

In 2011 three competing class proceedings of material value were commenced in Ontario, Canada against Pöyry's subsidiary companies along with other defendants concerning matters relating to Sino-Forest Corporation ("SFC"). Only one of these competing class proceedings was allowed to proceed by the Ontario court (the "Ontario Proceeding"), the others were stayed. The Ontario Proceeding only named one Pöyry subsidiary company as a defendant. A parallel proceeding was commenced in Quebec, Canada involving the same Pöyry subsidiary company (together with the Ontario Proceeding, the "Canadian SFC Litigation").

During the first reporting period of 2012, the Pöyry subsidiary company named as a defendant in the Ontario Proceeding concluded a settlement agreement with the plaintiffs concerning the Canadian SFC Litigation (the "Settlement Agreement"), which was subsequently approved by the Ontario and Quebec courts in the third and fourth reporting periods of 2012, respectively.

In the fourth reporting period of 2012, the Pöyry subsidiary company named as a defendant in the Ontario Proceeding was also added as a defendant to an existing class action previously commenced against SFC and others in the State of New York of the USA (the "US SFC Litigation"). The allegations pleaded are similar to those in the Canadian SFC Litigation. There have been no material developments in the US SFC Litigation since the above-referenced addition of the Pöyry subsidiary company as a defendant.

A 'Litigation Trust' was created by way of the SFC insolvency proceedings in December 2012 to pursue certain claims that SFC and/or its noteholders had at that time. Commencing in the last reporting period of 2013, proceedings in various jurisdictions were issued by the Litigation Trust against, inter alia, certain of Pöyry's subsidiary companies that had provided consulting services to SFC. While Pöyry's legal advisors in those jurisdictions are of the view that these proceedings are without merit, it is premature to assess the outcome of these proceedings.

Rigesa arbitration

In 2013 Pöyry Tecnologia Ltda. and Pöyry Soluções em Projectos Ltda., subsidiary companies of Pöyry, commenced arbitration proceedings against Rigesa Celulose, Papel e Embalagens Ltda. ("Rigesa") in Brazil regarding the payment of certain change orders and other claims in relation to project deliveries of the said subsidiary companies to Rigesa. Rigesa has since commenced counter proceedings against the said Pöyry subsidiary companies in relation to the same project. The two arbitration proceedings have been combined into one proceeding (together the "Rigesa arbitration"). Pöyry is convinced on the justification for its claims against Rigesa and does not see merit in Rigesa's counterclaims but it is premature to assess the outcome of the Rigesa arbitration. Pöyry expects resolution on the merits of this case in H1 2018.

Metro Lima Line No 1 – Contraloria litigations

The Office of the Comptroller General of the Republic of Peru ("Contraloria") has commenced several proceedings, together with a material value, against the Consortium CESEL-PÖYRY ("Consortium") and some of the employees of the participating companies concerning certain aspects of the site supervision services provided by the Consortium to its public sector client, Autonomous Authority of the Electric Mass Transportation System of Lima – Callao ("AATE"). Pöyry Switzerland Ltd. is a party to the Consortium. The services of the Consortium ended in 2013 and have been approved by the client AATE. While Pöyry's legal advisors in Peru are of the view that these proceedings are without merit, it is premature to assess the outcome of these proceedings.

Apart from the above referred legal proceedings, the risk related to the individual claims and litigations where Group companies are involved is, on balance, not considered material on the Group level, taking into consideration the value and basis of these claims and litigations, the contractual terms and conditions and expert opinions applicable to these claims and litigations, the extent of Pöyry's business operations and insurance cover of the Group companies. There are, however, always uncertainties related to the outcome of litigation and arbitration proceedings.

Labour legislation in one of the Pöyry's country operations

There are some uncertainties relating to the interpretation of labour legislation in one of the countries where Pöyry operates. Unexpected negative interpretations by authorities and court decisions could have a harmful impact on the local subsidiary companies' business, financial position and results. While Pöyry's labour law advisors in the country in question support Pöyry's views on the interpretation matter, it is not possible to assess at this time further risk associated with this.

Derivative instruments

EUR million	31 Dec 2017	31 Dec 2016
Foreign exchange forward contracts		
Nominal value	43.7	48.0
Fair value, gains	0.4	0.5
Fair value, losses	-0.5	-0.4
Fair value, net	-0.2	0.1
Fair value hedge accounting		
Nominal value	33.8	0.2
Fair value, gains	1.3	0.0
Fair value, losses	-0.6	0.0
Fair value, net	0.7	0.0
Foreign exchange option contracts		
Purchased, nominal value	8.6	9.7
Purchased, gains	0.0	0.0
Purchased, losses	0.0	-0.1
Purchased, net	0.0	-0.1
Sold, nominal value	14.1	10.2
Sold, gains	0.0	0.1
Sold, losses	0.0	0.0
Sold, net	0.0	0.0
Foreign exchange options, net	0.0	0.0
Interest rate swaps		
Nominal value		15.0
Fair value, losses		0.0
Fair value, net		0.0

The Group hedges the project cash flows denominated in foreign currency by using foreign exchange derivative contracts. Exchange rate gains or losses arisen from these derivative contracts are recorded in sales and project expenses.

The fair value of the foreign exchange derivative contracts is specified by closing date fair values for the corresponding maturities of the agreements. Derivatives in hedge accounting are effective. The fair values of the interest rate swaps have been specified by the present values of the future cash flows which are based on the closing date's interest rates and other information, excluding the accrued interest and exchange rate difference. The fair values represent the prices which the Group should pay or receive if it terminated the derivative agreement, and the fair values are based on banks' confirmations as well as reports produced by the treasury management system. Derivative instruments have not been set off in the financial statements but all belong to master netting agreements agreed with external counterparties.

Fair value hierarchy for financial assets and liabilities recognised at fair value

EUR million	31 Dec 2017	Level 1	Level 2	Level 3
Financial assets at fair value				
Derivatives under fair value hedge accounting	1.3		1.3	
Derivatives outside of hedge accounting	0.4		0.4	
Total financial assets at fair value	1.7	-	1.7	-
Financial liabilities at fair value				
Derivatives under fair value hedge accounting	0.6		0.6	
Derivatives outside of hedge accounting	0.6		0.6	
Total financial liabilities at fair value	1.2	-	1.2	-

EUR million	31 Dec 2016	Level 1	Level 2	Level 3
Financial assets at fair value				
Derivatives under fair value hedge accounting	0.0		0.0	
Derivatives outside of hedge accounting	0.6		0.6	
Total financial assets at fair value	0.6	-	0.6	-
Financial liabilities at fair value				
Derivatives under fair value hedge accounting	0.0		0.0	
Derivatives outside of hedge accounting	0.5		0.5	
Total financial liabilities at fair value	0.5	-	0.5	-

Level 1 fair values are measured using quoted prices in active markets at the balance sheet date for identical assets or liabilities. A market is regarded as active if quoted prices are easily and regularly available from e.g. an exchange, dealer, broker, industry group or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. Instruments in Level 1 consist mainly of DAX, FTSE and Dow Jones equity investments classified as trading securities or available for sale.

Level 2 fair values of financial instruments that are not traded in an active market (for example OTC-derivatives) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The following techniques can be used to value financial instruments:

- Quoted market prices or dealer quotes for similar instruments
- Interest rate swaps: the present value of the estimated future cash flows based on observable yield curves
- Foreign exchange forward contracts: discounting back to present value based on forward rates at the balance sheet date
- Other financial instruments: for example discounted cash flow analysis

Level 3 fair values are measured using valuation techniques based on unquoted parameter inputs.

During the reporting period there were no transfers between levels 1, 2 and 3.

Financial assets and liabilities

EUR million	31 Dec 2017	31 Dec 2016
Available-for-sale assets, shares	0.4	0.6
Loans and other receivables		
Non-current accounts receivable	1.1	1.8
Other non-current receivables	2.2	2.3
Current accounts receivable	106.3	105.8
Non-current loans receivable	0.3	0.4
Current loans receivable	0.0	0.0
Cash and cash equivalents ¹⁾	50.7	49.3
Derivatives under fair value hedge accounting	1.3	0.0
Derivatives outside of hedge accounting	0.4	0.6
Total financial assets	162.7	160.8
Liabilities at amortised cost		
Interest bearing liabilities	56.8	81.2
Accounts payable	18.5	20.5
Derivatives under fair value hedge accounting	0.6	0.0
Derivatives outside of hedge accounting	0.6	0.5
Total financial liabilities	76.5	102.3

The fair value of the financial assets and liabilities measured at amortised cost equals their carrying amount, as the impact of discounting is not significant. The fair values are within level 2 of the fair value hierarchy. Fair value calculation rules of the derivatives are presented in note Derivative Instruments.

¹⁾ Cash and cash equivalents include current account balances which belong to a multi-currency notional cash pool operated by Pöyry PLC. For reporting purposes the account balances of this cash pool can be offset if the conditions of "IAS 32 Financial Instruments: Presentation" are met. The Group met these conditions and at 31 December 2017 EUR 35.2 (27.0) million of the cash balances and equivalent amount of the overdraft balances were offset.

Related party transactions

To the related parties of Pöyry Group belong subsidiaries, associated companies, joint ventures, the Board of Directors, the President and CEO and the members of the Group Executive Committee and their family members. Furthermore Corbis S.A. belongs to the related parties.

Performance share plan 2017-2022

A separate Company Announcement was issued on 5 May 2017 regarding a share-based incentive plan for the Pöyry Group's key personnel. In order to implement the initial investment relating to the incentive plan, the Board of Directors of Pöyry PLC resolved on 3 August 2017 on two share issues. The first one resulted in 1 771 000 new shares issued to the company itself without payment, as per Stock Exchange Release published on 16 August 2017. The second share issue was directed to the persons entitled to participate in the plan and resulted in a total of 422 191 new shares subscribed and paid for by each participant. The new shares were registered on 14 Sep 2017 as announced in a Stock Exchange Release. More information on the performance share plans is available on the company's website at www.poyry.com.

Own shares

Pöyry PLC holds on 31 December 2017 a total of 2,190,055 own shares (31 December 2016 419,055) corresponding to 3.5 per cent of the total number of shares.

Transactions with associated companies

The transactions are determined on an arm's length basis. They are not material to the Group.

Changes in intangible and tangible assets

EUR million	1-12/ 2017	1-12/ 2016
Intangible assets		
Book value at the beginning of the period	7.2	5.3
Capital expenditure	2.0	3.5
Decrease	0.0	0.0
Depreciation	-2.1	-1.7
Book value at the end of the period	7.0	7.2
Tangible assets		
Book value at the beginning of the period	7.5	8.7
Capital expenditure	1.2	1.7
Decrease	-0.2	-0.3
Depreciation	-2.3	-2.8
Exchange differences	-0.3	0.2
Book value at the end of the period	6.0	7.5

Changes in goodwill

EUR million	1-12/ 2017	1-12/ 2016
Book value at the beginning of the period	122.4	121.4
Investment in group companies	1.2	-
Exchange differences	-4.7	1.0
Book value at the end of the period	118.9	122.4

Operating segments

EUR million	1-6/ 2017	1-6/ 2016	7-12/ 2017	7-12/ 2016	1-12/ 2017	1-12/ 2016
Net sales						
Energy	64.3	65.9	57.8	63.7	122.1	129.6
Industry	76.4	78.0	73.1	69.5	149.4	147.5
Regional Operations	96.5	96.3	90.1	92.4	186.6	188.8
Management Consulting	30.6	31.9	35.1	32.3	65.7	64.1
Unallocated	-0.5	-0.2	-0.9	-0.2	-1.4	-0.5
Total	267.3	271.9	255.1	257.7	522.3	529.6
Operating result						
Energy	3.5	0.6	3.9	3.8	7.4	4.4
Industry	4.6	3.9	5.9	-0.2	10.5	3.7
Regional Operations	0.7	-4.2	-0.6	-4.6	0.2	-8.7
Management Consulting	1.6	1.8	5.5	2.2	7.1	3.9
Unallocated	-6.7	-6.4	-3.4	-5.0	-10.1	-11.4
Total	3.7	-4.2	11.4	-3.8	15.1	-8.1
Net financial items	-1.7	-0.8	-2.0	-2.2	-3.8	-3.1
Share of associated companies' results	0.3	0.3	0.2	0.3	0.5	0.5
Result before taxes	2.2	-4.8	9.6	-5.8	11.8	-10.6
Income taxes	-2.0	-0.8	-4.2	-1.3	-6.1	-2.2
Net result for the period	0.2	-5.6	5.4	-7.2	5.6	-12.8
Attributable to:						
Equity holders of the parent company	0.2	-5.6	5.5	-6.9	5.7	-12.5
Non-controlling interest	0.1	-0.1	-0.1	-0.2	0.0	-0.3

EUR million	1-6/ 2017	1-6/ 2016	7-12/ 2017	7-12/ 2016	1-12/ 2017	1-12/ 2016
Operating margin, %						
Energy	5.5	1.0	6.7	5.9	6.1	3.4
Industry	6.0	5.0	8.1	-0.3	7.0	2.5
Regional Operations	0.8	-4.3	-0.6	-4.9	0.1	-4.6
Management Consulting	5.1	5.5	15.8	6.7	10.8	6.1
Group	1.4	-1.6	4.5	-1.5	2.9	-1.5
Adjusted operating result						
Energy	3.5	0.8	3.9	4.2	7.4	5.0
Industry	6.0	4.4	8.8	2.1	14.7	6.5
Regional Operations	3.3	-2.9	3.4	2.2	6.7	-0.6
Management Consulting	1.6	2.3	5.7	2.5	7.3	4.7
Unallocated	-4.4	-6.4	-5.8	-3.5	-10.1	-9.9
Total	10.0	-1.7	16.0	7.5	26.0	5.8
Adjusted operating margin, %						
Energy	5.5	1.3	6.7	6.6	6.1	3.9
Industry	7.8	5.7	12.0	3.0	9.9	4.4
Regional Operations	3.4	-3.0	3.8	2.4	3.6	-0.3
Management Consulting	5.1	7.2	16.3	7.6	11.1	7.4
Group	3.7	-0.6	6.3	2.9	5.0	1.1
Order stock						
Energy	174.0	170.3	164.9	152.5	164.9	152.5
Industry	78.9	77.9	87.4	78.3	87.4	78.3
Regional Operations	200.6	193.2	177.7	197.5	177.7	197.5
Management Consulting	21.0	16.3	18.4	14.3	18.4	14.3
Unallocated	0.0		0.0		0.0	
Total	474.5	457.7	448.5	442.5	448.5	442.5
Consulting and engineering					448.3	439.0
EPC					0.3	3.6
Total					448.5	442.5
Net sales by area						
The Nordic countries	101.7	99.4	91.4	89.4	193.1	188.8
Other Europe	90.6	96.9	93.1	94.3	183.7	191.3
Asia	40.6	39.5	37.4	39.5	78.0	79.1
North America	10.4	11.6	12.1	11.1	22.5	22.7
South America	20.4	22.5	18.0	21.4	38.4	43.9
Other	3.4	1.9	3.2	2.0	6.6	3.9
Total	267.3	271.9	255.1	257.7	522.3	529.6
Personnel at the end of the period						
Energy					1,054	1,068
Industry					1,530	1,436
Regional Operations					1,539	1,565
Management Consulting					373	353
Unallocated					141	153
Total					4,637	4,574

Adjusted operating result

In order to increase transparency in comparing performance from one period to another Pöyry discloses from 2016 onwards an adjusted operating result. The adjusted items are not related to the business operations of the reporting period and include restructuring and labour claim expenses, gains / losses related to divestments and profits / losses related to projects from the former Urban Business Group or projects which were finalised over two years ago.

Adjusted operating result 7-12/2017

EUR million	Energy	Industry	Regional Operations	Manage- ment Consulting	Unallo- cated	Total
Operating result 7-12/2017	3.9	5.9	-0.6	5.5	-3.4	11.4
Restructuring and labour claim ¹⁾ expenses		1.7	0.1	0.2		2.0
Profits / losses related to projects from former Urban Business Group			3.9			3.9
Profits / losses related to projects finalised over two years ago		0.1			-2.4	-2.3
Other		1.1				1.1
Adjusted operating result 7-12/2017	3.9	8.8	3.4	5.7	-5.8	16.0

Adjusted operating result 7-12/2016

EUR million	Energy	Industry	Regional Operations	Manage- ment Consulting	Unallo- cated	Total
Operating result 7-12/2016	3.8	-0.2	-4.6	2.2	-5.0	-3.8
Restructuring and labour claim ¹⁾ expenses	0.4	2.1	0.4	0.2	1.3	4.5
Gains / losses related to divestments					0.2	0.2
Profits / losses related to projects from former Urban Business Group			5.8			5.8
Profits / losses related to projects finalised over two years ago		0.2	0.6	0.0		0.8
Adjusted operating result 7-12/2016	4.2	2.1	2.2	2.5	-3.5	7.5

Adjusted operating result 1-12/2017

EUR million	Energy	Industry	Regional Operations	Manage- ment Consulting	Unallo- cated	Total
Operating result 1-12/2017	7.4	10.5	0.2	7.1	-10.1	15.1
Restructuring and labour claim ¹⁾ expenses		2.9	0.1	0.2		3.2
Profits / losses related to projects from former Urban Business Group			6.2			6.2
Profits / losses related to projects finalised over two years ago		0.2	0.2			0.5
Other		1.1				1.1
Adjusted operating result 1-12/2017	7.4	14.7	6.7	7.3	-10.1	26.0

Adjusted operating result 1-12/2016

EUR million	Energy	Industry	Regional Operations	Manage- ment Consulting	Unallo- cated	Total
Operating result 1-12/2016	4.4	3.7	-8.7	3.9	-11.4	-8.1
Restructuring and labour claim ¹⁾ expenses	0.6	2.9	0.7	0.5	1.3	6.0
Gains / losses related to divestments					0.2	0.2
Profits / losses related to projects from former Urban Business Group			7.1			7.1
Profits / losses related to projects finalised over two years ago		0.2	0.6	0.3		1.1
Other ²⁾		-0.3	-0.2			-0.5
Adjusted operating result 1-12/2016	5.0	6.6	-0.6	4.7	-9.9	5.8

¹⁾ Labour claim expenses are expenses related to employment claims customary in one of the Group's country operations and are based on local professional opinions.

²⁾ Profits related to projects on which losses were recorded in 2014 and reported as adjusted items.